Fact-Finding Study on Information Management of Commercial Outlets 2018

Findings from questionnaires and interviews with commercial operators   November 29, 2018

In partnership with the laboratory of Professor Yukio Komatsu of the Department of Architecture at Waseda University,[1] Xymax Real Estate Institute (hereinafter referred to as "Xymax REI") conducted the "Fact-Finding Study on Information Management of Commercial Outlets 2018." This study consists of questionnaires and interviews with commercial operators that operate or control multiple outlets (hereinafter referred to as "Operators"),[2] conducted at the same time as the "Fact-Finding Study on the Real Estate Strategy of Commercial Outlets 2018,"[3] which was published by Xymax REI on the same day.

In order to formulate and implement real estate strategies of stores (i.e. how to utilize store real estate), such as new openings, renovations, and early termination of contract, it is essential to manage various information as a basis, including store development, sales performance, customer profiles, store assets, and taxes. This report is a summary of the reality of information management, including how Operators actually manage information and the challenges involved.

[1] Laboratory of Professor Yukio Komatsu, Department of Architecture, Waseda University: http://www.waseda.jp/sem-ykom/
[2] Survey targets: Retailers, restaurant operators, entertainment providers, and service providers aimed at personal consumption with net sales of 3 billion yen or more for the latest fiscal year surveyed by Tokyo Shoko Research (an overview of the survey is provided at the end of the report).
[3] https://www.xymax.co.jp/english/news_research/?type=research

(Related survey) "Fact-Finding Study on the Opening & Closing of Commercial Outlets 2017," published on September 29, 2017
https://www.xymax.co.jp/english/news_research/?type=research

Key Findings

- Of major store information, the top information items whose entire data was managed digitally were "customer information," "trend of net sales and P/L," and "residual value & taxes and public dues."

- The top store information items with data of all stores consolidated at the headquarters were "trend of net sales and P/L," "contractual information of the property," "lease contract and store asset ledger," and "residual value & taxes and public dues."

- Around 60% of Operators had a department or staff dedicated to managing store information.

- The top replies in terms of problems that may occur in managing store information and the frequency of actual occurrences were "store information not updated to the latest data," "loss of some store information upon change in staff due to poor handover," and "incorrect entry of information."

- An Operator said in the interviews that they managed store information centrally across departments to formulate real estate strategies of stores efficiently.

1. Management Status of Store Information

The industries and outlets (profile of respondent Operators) are the same as in the "Fact-Finding Study on the Real Estate Strategy of Commercial Outlets 2018" [4] published by Xymax REI on the same day.

*4   https://www.xymax.co.jp/english/news_research/?type=research

1-1. Management format of store information

When asked about the management format of the following 11 major store information items, the items whose entire data was digitalized were "customer information" (46%), "trend of net sales and P/L" (46%), and "residual value & taxes and public dues" (42%) **(Figure 1)**.

Figure 1: Management Format of Store Information (Single Answer; n=391)
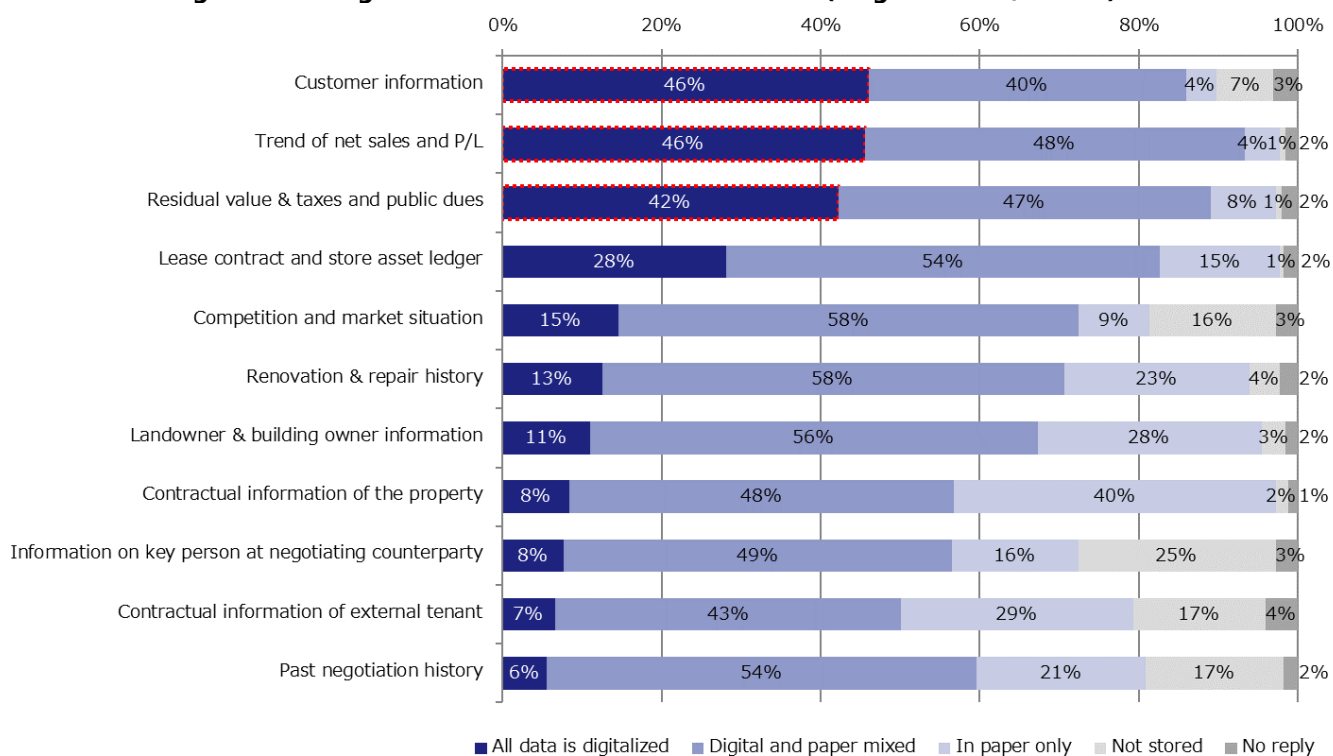
Interviews with the Operators revealed that many Operators had set up a database (i.e. able to extract and edit information under any given condition) for "customer information," "trend of net sales and P/L," and "residual value & taxes and public dues."

Popular digitalization methods of information items other than the above three included creating PDFs of Excel-managed or paper materials and storing them in the internal server.

1-2. Store information consolidated at headquarters

We asked Operators which store information had the data of all stores consolidated at the headquarters (or branch office, area, etc.). The result was that large percentages of Operators consolidated information at their headquarters overall, especially in "trend of net sales and P/L," "contractual information of the property," "lease contract and store asset ledger," and "residual value & taxes and public dues," which were consolidated at the headquarters by more than 90% of Operators.

On the other hand, the percentage of Operators consolidating "past negotiation history" and "information on key person at negotiating counterparty" at their headquarters was relatively low (60% level) **(Figure 2)**.

Figure 2: Store Information Consolidated at Headquarters (Multiple Answers; n=391)
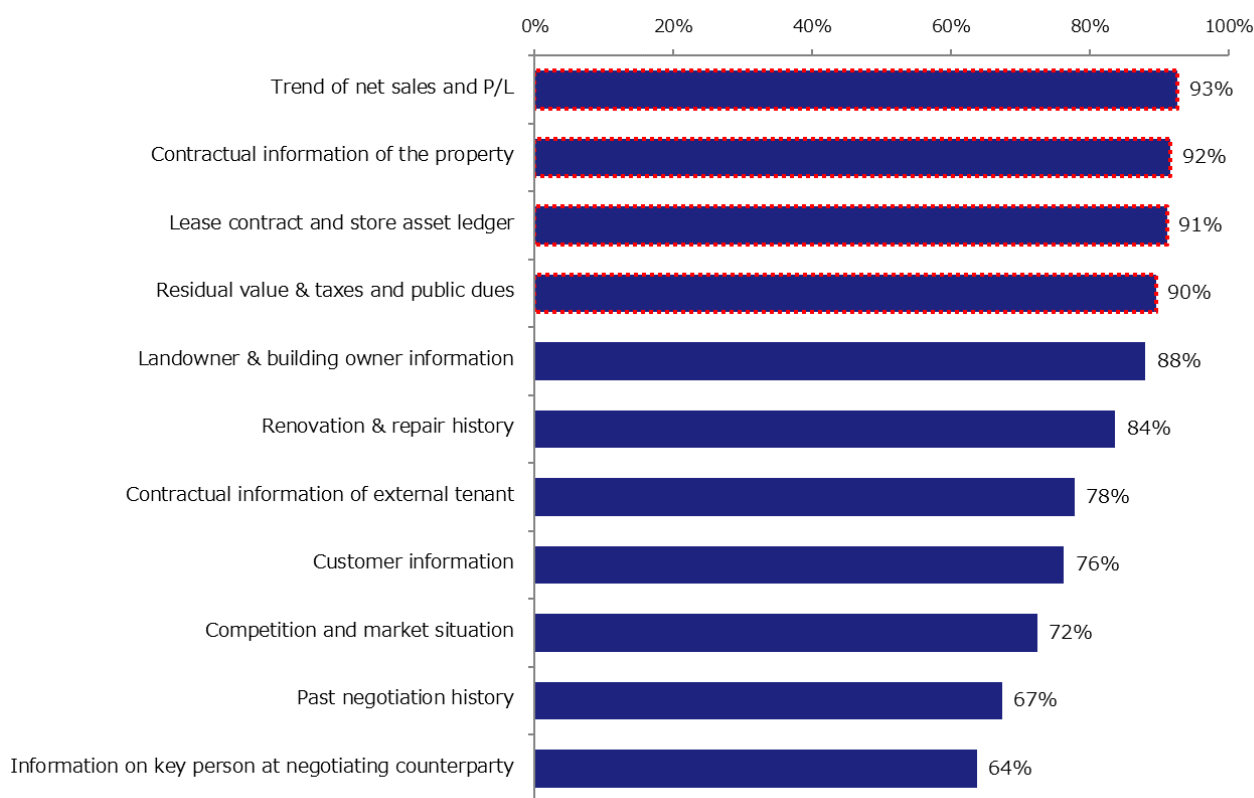
When we asked Operators where the information that was not consolidated at the headquarters was stored, the top replies included "supplier or outsourcee" and "information is not stored in the first place." There were hardly any cases of "information is at the store only."

Several Operators commented that the management of past negotiation history and information on the key person at the negotiating counterparty still relied on personal ability.

2. Method and System of Store Information Management

As for the specific method and system of store information management, around 60% of Operators replied that "there is a department or staff dedicated to managing store information" applied or applied somewhat **(Figure 3)**.

Figure 3: Method and System of Store Information Mangement (Multiple Answers; n=391)

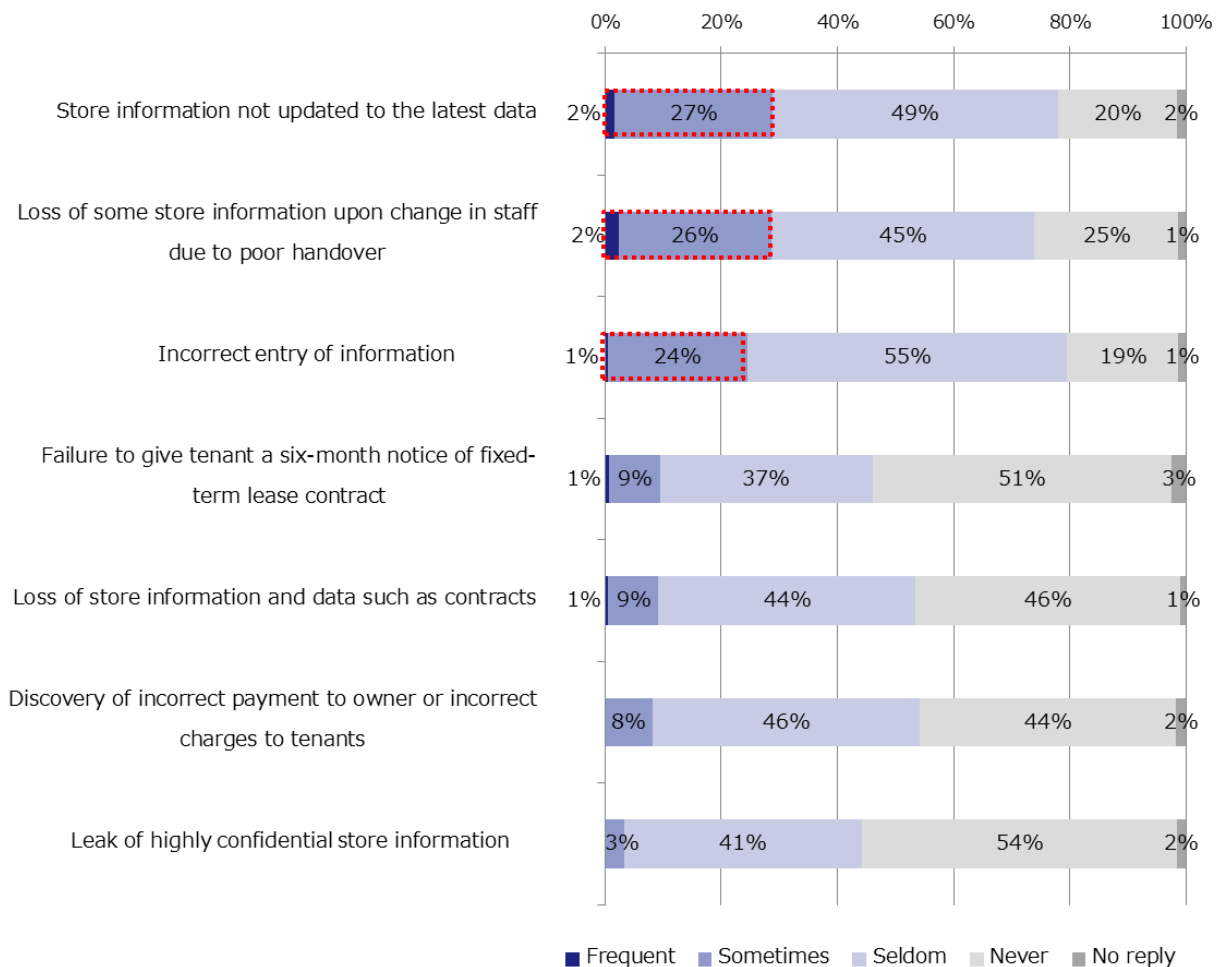|	Applies	Applies somewhat	Does not apply that much	Does not apply	No reply
Store information is updated to the latest data whenever there is a change	30%	47%	16%	5%	2%
Access to store information is limited to management and relevant departments and store managers	22%	44%	20%	12%	2%
There is a department or staff dedicated to managing store information	26%	33%	19%	20%	2%
(Some operations are) outsourced to an external operator or own group company	10%	22%	18%	48%	2%
Store information is still being organized since system integration is taking time due to the effect of M&A, etc.	1%	11%	18%	67%	3%

When asked in the interviews about the department that managed information of existing stores, many Operators replied that different information was managed by different departments, for example, contractual information by the development department, customer information by the sales department, and residual value by the accounting department, and that the necessary store information was gathered each time a real estate strategy was formulated. However, few Operators saw the situation as a problem.

Among Operators with relatively few stores, there were cases where all information was managed by the control department or by a separate team from the new store openings team (development department) that was dedicated to formulating and drafting real estate strategies such as store renovations and terminations, with a staff member dedicated to managing existing store information centrally across departments.

3. Frequency of Problem Cases that Occurred in Store Information Management

When we asked about problem cases that may occur in store information management and the frequency of actual occurrences, the top three cases that occurred either frequently or sometimes were "store information not updated to the latest data" (29%), "loss of some store information upon change in staff due to poor handover" (28%), and "incorrect entry of information" (25%) **(Figure 4)**.

Figure 4: Frequency of Problem Cases in Store Information Management (Single Answer; n=391)

Problem Case	Frequent	Sometimes	Seldom	Never	No reply
Store information not updated to the latest data	2%	27%	49%	20%	2%
Loss of some store information upon change in staff due to poor handover	2%	26%	45%	25%	1%
Incorrect entry of information	1%	24%	55%	19%	1%
Failure to give tenant a six-month notice of fixed-term lease contract	1%	9%	37%	51%	3%
Loss of store information and data such as contracts	1%	9%	44%	46%	1%
Discovery of incorrect payment to owner or incorrect charges to tenants		8%	46%	44%	2%
Leak of highly confidential store information		3%	41%	54%	2%

An Operator said in the interviews that the most troublesome task in managing store information was maintenance. In Excel-managed data it was relatively frequent to forget updating the data to the latest information as well as making incorrect entries, since information was entered manually. As for creating a database of information, one Operator commented that the priority was on information such as sales that is updated on a daily basis and highly important, and that the company had no plan to move forward with the creation of a database of store development information such as contracts due to cost reasons. The Operator added that some property information was still being sent from real estate brokerages via fax and that the management system had not hardly changed for more than 20 years.

4. Comments Obtained from Interviews with Operators

<Management situation of store information>
- Store information is managed centrally across departments to formulate real estate strategies of stores efficiently. (Retail (food))
- Information is basically managed in Excel. Since we have no tenants, managing in Excel is no problem. Management and storage are done at different dedicated departments. (Retail (food))
- Some old contracts are still in paper form, which are currently being digitalized. There were cases where we could not find drawings. (Retail (food))
- All contracts are in paper. There have been no discussions on digitalizing information management within the company. (Retail (non-food))
- We started digitalization about 10 years ago. We decided to do so since it is an information-oriented society. (Retail (non-food))
- We have a database of sales and customer information, which are data that we create by ourselves. The information provided by developers is managed in paper, PDF, or Excel, and is not made into a database. (Retail (non-food))

<Method and system of store information management>
- Information of new stores is handed over to the real estate management group after store opening and digitalized. (Retail (food))
- There are no manuals, and some information is linked to individuals or stores. (Retail (food))
- The store manager can see the sales of his/her own store and other stores but not P/L. (Retail (non-food))
- Management has access to store information at all times. The stores can check the sales of all stores in the data transmitted on a daily basis. For P/L, however, they can only see their own. (Retail (non-food))
- Information is held at each department. There is no inconvenience with the status quo. (Entertainment)

<Problem cases and frequency>
- Information on contract renewal negotiations is shared among the staff in charge by producing a list of contracts that expire each period. Renewals are not forgotten. (Restaurant)

<Operational and organizational issues>
- Decision-making is slow since management strategies are developed by the Group and HD, and various decisions must be made at the meeting that takes place once a month. (Retail (food))
- Coordination sometimes took time when there were several landowners, but recently there has been a negotiation agent that acts as a coordinator of the landowners. (Retail (food))
- Coordination with store owners takes time when opening a new store in rural areas since drawings often do not remain or the building has been expanded without any records. (Retail (non-food))
- It is not possible to analyze customer profiles since we do not have our own point cards, although there is a POS register. (Retail (non-food))
- Renovation schedules are tight since we want to minimize sales loss while the store is closed. (Retail (non-food))
- Budget/process management are meticulous and strict partly since the parent company is a fund. (Restaurant)
- Cost coordination for new or renovated outlets takes time, especially for construction work B. It is not rare

to be presented with a quote that is double the budget. (Restaurant)
・ Government instructions are strict such as in compliance and personal information management. (Service)

5. Summary

The questionnaires and interviews have revealed the reality of information management of commercial outlets. The levels of management of store information vary, and for most Operators, digitalization of information does not necessarily mean the creation of a database. While there are some cases where information management relies on personal ability, we believe that the exchange of store information between departments are still carried out on a personal level at relatively many Operators.

In the near future, all business processes of Operators are likely to undergo a fundamental change due to the further evolution of IT technologies and the prevalence of AI. This also applies to store information management, with the capabilities of the management system and operation affecting improvements in business efficiency and productivity, differentiation from rival operators, and the ability to secure an advantage. Operators may have to renew their understanding of the importance of information management in formulating real estate strategies of stores and develop a vision for the future now.

Xymax REI intends to continue its research on commercial facilities and outlets to publish useful information.

Survey Overview

Period	June – September 2018
Target	Of retailers (food and non-food), restaurant operators, entertainment providers, and service providers[1][2] aimed at personal consumption, 5,117 business operators with net sales of 3 billion yen or more in the latest survey year[3] *1: Industries and categories that currently operate in shopping centers, commercial buildings, or roadside outlets, which are currently Japan's main commercial facilities, based on Japan's industry classification by the Ministry of Internal Affairs and Communications *2: Target companies of the service industry are beauty & barber, travel, education, insurance, and real estate companies that operate outlets in a commercial facility. *3: Targets were extracted based on data by Tokyo Shoko Research
No. of valid responses	Questionnaire: 391 companies (response rate: 7.6%); interview: 18 companies
Geographical coverage	Nationwide
Method	Questionnaire survey by post or online, and interview
Survey contents	I. Business and outlet II. Real estate strategy of stores: Refer to https://www.xymax.co.jp/english/news_research/?type=research III. Management of store information

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